NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
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250. Dr M J Figg (DA) to ask the Minister of Finance:

Will he implement wide ranging cost cutting measures in the budget in response to the recent downgrade; if not, why not; if so, what measures?

NW328E

REPLY:

Of the three major ratings agencies, Standard and Poors (S&P) was the only agency to downgrade South Africa. In making this decision, S&P highlighted economic prospects, rather than the level of government expenditure. S&P noted that "while South Africa's fiscal outturn has held up so far, the fiscal stance over the next few years may become exposed to lower-than-expected economic growth, pressures from a new round of public-sector wage negotiations, and increased public spending needs."

The expenditure ceiling introduced in 2012, which places a nominal limit on main budget non-interest expenditure, remains a key element of South Africa's fiscal framework. There is no additional funding available for new projects, and cost pressures will be accommodated through reprioritisation.

A number of steps are already underway to support spending containment and efficiency going forward:

- Cost-containment guidelines were issued by the National Treasury in January 2014, limiting spending on conferences, travel and entertainment. Departments will be audited on compliance with these guidelines.
- A number of spending reviews have been undertaken for key national departments by the National Treasury in conjunction with the Department of Performance Monitoring and Evaluation.
- The Chief Procurement Officer's office is developing a national purchasing system for high value items which will simplify supply chain procedures and reduce corruption.
- New regulations are strengthening the National Treasury's oversight of public entities by requiring them to comply with stringent reporting requirements for expenditure, revenue and performance.

Should these interventions prove insufficient to ensure a sustainable debt trajectory, the National Treasury will consider additional expenditure and revenue measures. Any changes will take into account the likely impact on growth, employment and equity.